

Projected Point

ACCOUNTING | DATA | FINANCE | CONSULTING

ISSUE DATE

August 11, 2022

Last Update:

August 11, 2022

CONTACTS

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Revenue: \$3-\$5M
 EBITDA: \$500K – \$900K
 Assets: \$1.4M
 Structure: S-Corp
 Shareholders: 2
 Area: Illinois/Indiana

CLIENT PROFILE

Our client has thrived within the Plumbing, and pipefitting segment of the Building Equipment Contractors sector since 1984^[1], primarily engaged in Mechanical Contracting. They provide a full-service turnkey operation for new construction, additions, alterations, maintenance, and repairs for Governmental, Commercial, and Fortune 500 Customers, within the State of Illinois.

BUSINESS OVERVIEW

Initially formed as a C-Corporation, the corporate structure was changed to an S-Corporation with two shareholders making up 100% of the shares issued and outstanding. The business's assets include Real Estate, Trucks, Tools, Supplies, Existing Contracts, and Work-In-Progress. The company employs 17 FTEs^[2] (Excluding Owners) and has a favorable Experience^[1] and OSHA^[1] Rating for workplace safety.

Financial Performance^[4]

For the fiscal period 2017 to 2021^[3], Net Sales have grown 13.3%, Gross Margin has increased by 9.9% annually, Net Earnings from Operations have risen 13.7%, and Cash Flow from Operations has grown by 8.8% based on an Average Annual Growth Rate (AAGR). Net Sales have averaged \$4.2M. Earnings from Operations have averaged \$736K, and Accounts Receivable (A/R) average \$821K, with 97% of the balances due within 1-30 days. Shareholder value has averaged \$637K annually and has grown by 28.4% (AAGR)

Industry Performance

According to the U.S. Census Bureau data, nonresidential construction spending is up 5.6% year over year through March 2022. According to data from the U.S. Bureau of Labor Statistics, the construction industry remains significantly short of skilled workers. Materials, Inflation, and Supply Chain issues are forecasted to remain challenging.

Economic Conditions

They are headquartered in Illinois, the center of a two-state labor source with access to over one million workers. Illinois ranked 11th in per capita personal income and 6th in population in the nation^[5]. Significant areas of employment include education, healthcare, accommodations, food services, and construction. The regional economy comprises international manufacturers, transportation and distribution companies, and data centers.

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SOURCE DATA AND FOOTNOTES

- [1] Provided by client
 - [2] As verified through payroll records for the time period January 1, 2017, to December 31, 2021
 - [3] The client fiscal year ends December 31st
 - [4] Net Earnings & Cash Flow data shown EXCLUDES owner's pay & other benefits
 - [5] U.S. Bureau of Economic Analysis (BEA) published March 23, 2022
 - [6] The decrease in Net Sales in FY2020 is a direct result of the COVID-19 economy shutdown
 - [7] Net Sales, Gross Margin, Net Earnings, and Cash Flow from operations EXCLUDE PPP funds
- NOTE Financial data unaudited

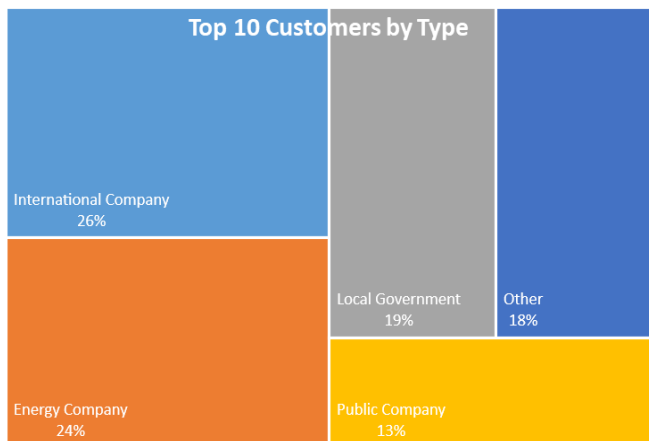
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**Condensed Income Statement - Adjusted
For the Fiscal Year Ending December 31,**

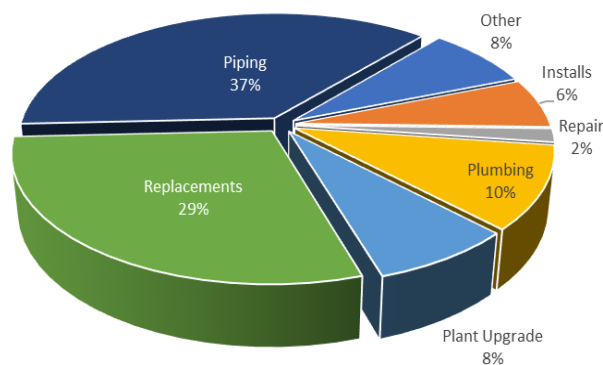
Description	2017	2018	2019	2020	2021
Net Sales	\$ 3,355,248	\$4,310,211	\$4,183,687	\$ 3,523,479	\$5,537,219
Cost of Sales	2,657,267	3,515,186	3,185,443	2,681,546	4,517,209
Gross Margin	697,981	795,025	998,244	841,934	1,020,010
Gross Margin %	20.8%	18.4%	23.9%	23.9%	18.4%
SG&A	166,956	122,157	130,672	118,625	130,984
EBITDA	\$ 531,025	\$ 672,869	\$ 867,572	\$ 723,309	\$ 889,026
EBITDA%	15.8%	15.6%	20.7%	20.5%	16.1%

**Owners Equity - Adjusted
For the Years Ending December 31,**

Description	2017	2018	2019	2020	2021
Owner's capital beginning balance	\$ 528,217	\$ 729,266	\$ 958,661	\$ 1,288,190	\$ 1,034,536
Add: Net Income	531,025	672,869	867,572	723,309	889,026
Book Basis	1,059,242	1,402,135	1,826,233	2,011,499	1,923,562
Less: Shareholders Salary & Benefits	(239,989)	(231,642)	(295,295)	(274,814)	(397,706)
Less: Draws	(89,987)	(211,832)	(242,748)	(702,149)	(500,000)
Owner's capital ending balance	\$ 729,266	\$ 958,661	\$ 1,288,190	\$ 1,034,536	\$ 1,025,855



Revenue by Category



Cost of Sales by Category

